

## Message Text

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17

ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 ABF-01 FS-01 EB-07 OMB-01 OPR-01

A-01 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 RSC-01

USIA-06 PRS-01 SP-02 /043 W

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R 030723Z JAN 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2482

DEPT OF COMMERCE WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

AMCONGEN MUNICH

LIMITED OFFICIAL USE BUDAPEST 0010

E.O. 11652: N/A

TAGS: EFIN, ETRD, HU

SUBJ: REVALUATION OF HUNGARIAN FORINT

REF: BUDAPEST 3344

STATE PASS TREASURY

1. HUNGARIAN NATIONAL BANK ANNOUNCED JANUARY 1 MODERATE  
REVALUATION OF HUNGARIAN FORINT AGAINST ALL PRINCIPAL  
WESTERN CURRENCIES. THE BANK JUSTIFIED ITS ACTION,  
WHICH HAD BEEN EXPECTED FOR SOME TIME, ON THE GROUNDS  
OF THE INCREASINGLY HIGH RATE OF WESTERN INFLATION AND  
THE NEED TO TAKE STEPS TO SHIELD THE HUNGARIAN ECONOMY  
FROM THE ADVERSE EFFECTS OF THIS INFLATION. EFFECTIVE  
RATES OF REVALUATION WERE:  
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U.S. \$ EQUALS 7 PERCENT (\$1 NOW EQUALS 21.7539  
FTS COMPARED TO PREVIOUS  
RATE OF \$1 EQUALS  
23.3762 FTS)  
GERMAN MARK EQUALS 5 PERCENT (1 DM EQUALS 8.53 FTS)  
BRITISH POUND EQUALS 9 PERCENT (1 POUND EQUALS 51.12 FTS)  
FRENCH FRANC EQUALS 7 PERCENT (1 FRANC EQUALS 4.74 FTS)  
ITALIAN LIRA EQUALS 7 PERCENT (100 LIRA EQUALS 3.315 FTS)  
  
AUSTRIAN SCHILLING EQUALS 3 PERCENT (100 SCHILLINGS EQUALS  
118.66 FTS)  
SWISS FRANC EQUALS 1.3 PERCENT (1 SFR EQUALS 7.25 FTS)

2. COMMENT: ONE EFFECT OF HUNGARIAN REVALUATION WILL BE TO SERVE AS TAX ON HUNGARIAN EXPORTERS WHO WILL NOW BE PAID FEWER FORINTS BY HUNGARIAN NATIONAL BANK FOR PRODUCTS SOLD IN WEST FOR HARD CURRENCY, AS FOREIGN EXCHANGE MULTIPLIER WHICH IS BASICALLY DOUBLE TOURIST RATE OF EXCHANGE WILL ALSO BE READJUSTED TO REFLECT NEW PARITIES. REVALUATION WILL ALSO HELP GOH TO ATTAIN GOAL OF FORCING ENTERPRISES TO ATTEMPT AND OBTAIN HIGHEST POSSIBLE PRICES FOR THEIR PRODUCTS IN WESTERN MARKETS IN VIEW OF CONSIDERABLE DETERIORATION IN HUNGARIAN TERMS OF TRADE DURING 1974. IN ADDITION, CHANGE IN PARITIES WILL HAVE DESIRED EFFECT OF MAKING HUNGARIAN IMPORTS FROM WEST CHEAPER WHICH WILL BOTH HELP REDUCE INFLATIONARY PRESSURES IN ECONOMY AND ENABLE A REDUCTION IN THE SUBSIDIES PAID BY THE GOVERNMENT TO IMPORTERS TO COMPENSATE FOR THE HIGH COST OF MANY ESSENTIAL PRODUCTS PROCURED FROM WORLD MARKET. ALTHOUGH HUNGARIANS HAVE ADMITTED THAT CURRENCY REALIGNMENT WOULD INCREASE APPETITIE OF ENTERPRISES FOR WESTERN PRODUCTS, THEY EXPECT TO BE ABLE TO CONTROL GROWTH OF DEMAND BY A TIGHT CREDIT POLICY AND DO NOT ANTICIPATE THAT REVALUATION WILL INCREASE SIZE OF HUNGARY'S CURRENT NEGATIVE BALANCE OF TRADE WITH NON-CEMA COUNTRIES.

PEDERSEN

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## Message Attributes

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**To:** STATE  
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